



February 22, 2002

ENGROSSED SENATE BILL No. 502

DIGEST OF SB 502 (Updated February 20, 2002 5:59 PM - DI 103)

Citations Affected: IC 6-1.1; IC 6-3.1; noncode.

Synopsis: Reassessment. Phases in reassessments of single family residential property over three years. Extends the completion deadline for the general reassessment by one year to March 1, 2003. Provides that a taxpayer that provides qualified investment capital to a qualified Indiana business is entitled to a credit against the taxpayer's state tax liability equal to 20% of the amount of the investment. Provides that the amount of credits allowed each year may not exceed \$5,000,000. Provides that a taxpayer is not entitled to a credit for providing qualified investment capital to a qualified Indiana business before January 1, 2004, or after December 31, 2007

Effective: January 1, 2002 (retroactive); upon passage; July 1, 2002.

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(HOUSE SPONSORS — BAUER, ESPICH)

January 14, 2002, read first time and referred to Committee on Finance.
January 24, 2002, amended, reported favorably — Do Pass.
January 28, 2002, read second time, ordered engrossed. Engrossed.
January 31, 2002, read third time, passed. Yeas 32, nays 18.

HOUSE ACTION

February 5, 2002, read first time and referred to Committee on Ways and Means.
February 21, 2002, amended, reported — Do Pass.

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ES 502—LS 7315/DI 52+



February 22, 2002

Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

ENGROSSED SENATE BILL No. 502

A BILL FOR AN ACT to amend the Indiana Code concerning
taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-4-4, AS AMENDED BY P.L.198-2001,
2 SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 UPON PASSAGE]: Sec. 4. (a) A general reassessment, involving a
4 physical inspection of all real property in Indiana, shall begin July 1,
5 2000, and each fourth year thereafter. Each reassessment shall be
6 completed on or before March 1 of the immediately following
7 even-numbered year and shall be the basis for taxes payable in the year
8 following the year in which the general assessment is to be completed.
9 **However, the general reassessment scheduled to begin under this**
10 **subsection on July 1, 2000, shall be completed on or before March**
11 **1, 2003, and shall be the basis for taxes first due and payable in**
12 **2004.**

13 (b) In order to ensure that assessing officials and members of each
14 county property tax assessment board of appeals are prepared for a
15 general reassessment of real property, the ~~state board~~ **department of**
16 ~~tax commissioners~~ **local government finance** shall give adequate
17 advance notice of the general reassessment to the county and township

ES 502—LS 7315/DI 52+



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taxing officials of each county.

SECTION 2. IC 6-1.1-4-32, AS ADDED BY P.L.151-2001, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 32. (a) As used in this section, "qualifying county" means a county having a population of more than four hundred thousand (400,000) but less than seven hundred thousand (700,000).

(b) Notwithstanding ~~IC 6-1.1-4-15 and IC 6-1.1-4-17~~, **sections 15 and 17 of this chapter**, a township assessor in a qualifying county may not appraise property, or have property appraised, for the general reassessment of real property to be completed for the March 1, ~~2002~~, **2003**, assessment date. Completion of that general reassessment in a qualifying county is instead governed by this section. The only duty of:

(1) a township assessor in a qualifying county; or

(2) a county assessor of a qualifying county;

with respect to that general reassessment is to provide to the ~~state board~~ **department of tax commissioners local government finance** or the ~~state board's department's~~ contractor under subsection (c) any support and information requested by the ~~state board department~~ or the contractor.

(c) The ~~state board of tax commissioners~~ **department of local government finance** shall select and contract with a nationally recognized certified public accounting firm with expertise in the appraisal of real property to appraise property for the general reassessment of real property in a qualifying county to be completed for the March 1, ~~2002~~, **2003**, assessment date. The contract applies for the appraisal of land and improvements with respect to all classes of real property in the qualifying county. The contract must include:

(1) a provision requiring the appraisal firm to:

(A) prepare a detailed report of:

(i) expenditures made after July 1, 1999, and before the date of the report from the qualifying county's reassessment fund under ~~IC 6-1.1-4-28~~; **section 28.5 of this chapter**; and

(ii) the balance in the reassessment fund as of the date of the report; and

(B) file the report with:

(i) the legislative body of the qualifying county;

(ii) the prosecuting attorney of the qualifying county;

(iii) the ~~state board department of tax commissioners~~; **local government finance**; and

(iv) the attorney general;

(2) a fixed date by which the appraisal firm must complete all responsibilities under the contract;



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(3) a provision requiring the appraisal firm to use the land values determined for the qualifying county under ~~IC 6-1.1-4-13.6;~~ **section 13.6 of this chapter;**

(4) a penalty clause under which the amount to be paid for appraisal services is decreased for failure to complete specified services within the specified time;

(5) a provision requiring the appraisal firm to make periodic reports to the ~~state board department of tax commissioners;~~ **local government finance;**

(6) a provision stipulating the manner in which, and the time intervals at which, the periodic reports referred to in subdivision (5) are to be made;

(7) a precise stipulation of what service or services are to be provided;

(8) a provision requiring the appraisal firm to deliver a report of the assessed value of each parcel in a township in the qualifying county to the ~~state board department of tax commissioners;~~ **local government finance;** and

(9) any other provisions required by the state board of tax commissioners.

(d) After receiving the report of assessed values from the appraisal firm, the ~~state board department of tax commissioners~~ **local government finance** shall give notice to the taxpayer and the county assessor, by mail, of the amount of the reassessment. The notice of reassessment is subject to appeal by the taxpayer to the ~~state Indiana board of tax commissioners.~~ Except as provided in subsection (e), the procedures and time limitations that apply to an appeal to the ~~state Indiana board of tax commissioners~~ of a determination of the county property tax assessment board of appeals under IC 6-1.1-15 apply to an appeal under this subsection. A determination by the ~~state Indiana board of tax commissioners~~ of an appeal under this subsection is subject to appeal to the tax court under IC 6-1.1-15.

(e) In order to obtain a review by the ~~state Indiana board of tax commissioners~~ under subsection (d), the taxpayer must file a petition for review with the appropriate county assessor within forty-five (45) days after the notice of the ~~state board department of tax commissioners~~ **local government finance** is given to the taxpayer under subsection (d).

(f) The ~~state board department of tax commissioners~~ **local government finance** shall mail the notice required by subsection (d) within ninety (90) days after the board receives the report for a parcel from the professional appraisal firm.



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(g) The cost of a contract under this section shall be paid from the property reassessment fund of the qualifying county established under ~~IC 6-1.1-4-27~~ **section 27.5 of this chapter**.

(h) Notwithstanding IC 4-13-2, a period of seven (7) days is permitted for each of the following to review and act under IC 4-13-2 on a contract of the ~~state board department of tax commissioners~~ **local government finance** under this section:

- (1) The commissioner of the department of administration.
- (2) The director of the budget agency.
- (3) The attorney general.
- (4) The governor.

A contract issued under this section by the state board of tax commissioners shall be treated as the contract of the department of local government finance for all purposes.

(i) With respect to a general reassessment of real property to be completed under ~~IC 6-1.1-4-4~~ **section 4 of this chapter** for an assessment date after the March 1, 2002, 2003, assessment date, the ~~state board department of tax commissioners~~ **local government finance** shall initiate a review with respect to the real property in a qualifying county or a township in a qualifying county, or a portion of the real property in a qualifying county or a township in a qualifying county. The ~~state board department of local government finance~~ may contract to have the review performed by an appraisal firm. The ~~state board department of local government finance~~ or its contractor shall determine for the real property under consideration and for the qualifying county or township the variance between:

- (1) the total assessed valuation of the real property within the qualifying county or township; and
- (2) the total assessed valuation that would result if the real property within the qualifying county or township were valued in the manner provided by law.

(j) If:

- (1) the variance determined under subsection (i) exceeds ten percent (10%); and
- (2) the ~~state board of tax commissioners~~ **department of local government finance** determines after holding hearings on the matter that a special reassessment should be conducted;

the ~~state board department of local government finance~~ shall contract for a special reassessment by an appraisal firm to correct the valuation of the property.

(k) If the variance determined under subsection (i) is ten percent (10%) or less, the ~~state board department of tax commissioners~~ **local**



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government finance shall determine whether to correct the valuation of the property under:

- (1) sections 9 and 10 of this chapter; or
- (2) IC 6-1.1-14-10 and IC 6-1.1-14-11.

(l) The ~~state board department of tax commissioners local government finance~~ shall give notice by mail to a taxpayer of a hearing concerning the ~~state board's intent of the department of local government finance~~ to cause the taxpayer's property to be reassessed under this section. The time fixed for the hearing must be at least ten (10) days after the day the notice is mailed. The ~~state board department of local government finance~~ may conduct a single hearing under this section with respect to multiple properties. The notice must state:

- (1) the time of the hearing;
- (2) the location of the hearing; and
- (3) that the purpose of the hearing is to hear taxpayers' comments and objections with respect to the ~~state board's intent of the department of local government finance~~ to reassess property under this chapter.

(m) If the ~~state board department of tax commissioners local government finance~~ determines after the hearing that property should be reassessed under this section, the ~~state board department of local government finance~~ shall:

- (1) cause the property to be reassessed under this section;
- (2) mail a certified notice of its final determination to the county auditor of the qualifying county in which the property is located; and
- (3) notify the taxpayer by mail of its final determination.

(n) A reassessment may be made under this section only if the notice of the final determination under subsection (l) is given to the taxpayer within the same period prescribed in IC 6-1.1-9-3 or IC 6-1.1-9-4.

(o) If the ~~state board department of tax commissioners local government finance~~ contracts for a special reassessment of property under this section, the ~~state board department of local government finance~~ shall forward the bill for services of the contractor to the county auditor, and the county shall pay the bill from the county reassessment fund.

(p) A township assessor in a qualifying county or a county assessor of a qualifying county shall provide information requested in writing by the ~~state board department of tax commissioners local government finance~~ or the ~~state board's~~ its contractor under this section not later



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than seven (7) days after receipt of the written request from the state board or the contractor. If a township assessor or county assessor fails to provide the requested information within the time permitted in this subsection, the ~~state board department of tax commissioners local government finance~~ or the ~~state board's~~ **its** contractor may seek an order of the tax court under IC 33-3-5-2.5 for production of the information.

(q) The provisions of this section are severable in the manner provided in IC 1-1-1-8(b).

SECTION 3. IC 6-1.1-4-33 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:** **Sec. 33. (a) This section applies only to property taxes first due and payable in 2003.**

(b) Notwithstanding the rulemaking authority granted to the department of local government finance under IC 6-1.1, the repeal of various provisions in 50 IAC 2.2 by LSA Document #00-108, and the repeal of various provisions in 50 IAC 5.1 by LSA Document #01-347, the determination of the assessed value of tangible real property on an assessment date in calendar year 2002 shall be made in accordance with the:

(1) statutes; and

(2) rules of the state board of tax commissioners (before its termination);

in effect on July 1, 2001, and any statute enacted by the general assembly in 2002 that applies to an assessment date in 2002.

(c) This section expires January 1, 2004.

SECTION 4. IC 6-3.1-24 IS ADDED TO THE INDIANA CODE AS A **NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:**

Chapter 24. Venture Capital Investment Tax Credit

Sec. 1. As used in this chapter, "pass through entity" means:

(1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);

(2) a partnership;

(3) a limited liability company; or

(4) a limited liability partnership.

Sec. 2. As used in this chapter, "qualified Indiana business" means an independently owned and operated business that is certified as a qualified Indiana business by the department of commerce under section 7 of this chapter.

Sec. 3. As used in this chapter, "qualified investment capital" means debt or equity capital that is provided to a qualified Indiana

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1 business.

2 Sec. 4. As used in this chapter, "state tax liability" means a
3 taxpayer's total tax liability that is incurred under:

- 4 (1) IC 6-2.1 (the gross income tax);
5 (2) IC 6-2.5 (state gross retail and use tax);
6 (3) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
7 (4) IC 6-3-8 (the supplemental corporate net income tax);
8 (5) IC 6-5-10 (the bank tax);
9 (6) IC 6-5-11 (the savings and loan association tax);
10 (7) IC 6-5.5 (the financial institutions tax); and
11 (8) IC 27-1-18-2 (the insurance premiums tax);

12 as computed after the application of the credits that under
13 IC 6-3.1-1-2 are to be applied before the credit provided by this
14 chapter.

15 Sec. 5. As used in this chapter, "taxpayer" means an individual
16 or entity that has any state tax liability.

17 Sec. 6. A taxpayer that provides qualified investment capital to
18 a qualified Indiana business is entitled to a credit against the
19 person's state tax liability in a taxable year equal to the amount
20 specified in section 10 of this chapter.

21 Sec. 7. (a) The department of commerce shall certify that a
22 business is a qualified Indiana business if the department
23 determines that the business:

- 24 (1) is a high growth company that:
25 (A) is entering a new product or process area;
26 (B) has a substantial number of employees in jobs:
27 (i) requiring postsecondary education or its equivalent;
28 or
29 (ii) that are in occupational codes classified as high skill
30 by the Bureau of Labor Statistics, United States
31 Department of Labor; and
32 (C) has a substantial number of employees that earn at
33 least one hundred fifty percent (150%) of Indiana per
34 capita personal income;
35 (2) has its headquarters in Indiana;
36 (3) is primarily focused on research and development,
37 technology transfers, or the application of new technology or
38 is determined by the department of commerce to have
39 significant potential to:
40 (A) bring substantial capital into Indiana;
41 (B) create jobs;
42 (C) diversify the business base of Indiana; or



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- 1 (D) significantly promote the purposes of this chapter in
 2 any other way;
- 3 (4) has had average annual revenues of less than ten million
 4 dollars (\$10,000,000) in the two (2) years preceding the year
 5 in which the business received qualified investment capital
 6 from a taxpayer claiming a credit under this chapter;
- 7 (5) has:
- 8 (A) at least fifty percent (50%) of its employees residing in
 9 Indiana; and
- 10 (B) at least seventy-five percent (75%) of its assets located
 11 in Indiana; and
- 12 (6) is not engaged in a business involving:
- 13 (A) real estate;
- 14 (B) real estate development;
- 15 (C) insurance;
- 16 (D) professional services provided by an accountant, a
 17 lawyer, or a physician;
- 18 (E) retail sales, except when the primary purpose of the
 19 business is the development or support of electronic
 20 commerce using the Internet; or
- 21 (F) oil and gas exploration.
- 22 (b) A business shall apply to be certified as a qualified Indiana
 23 business on a form prescribed by the department.
- 24 (c) If a business is certified as a qualified Indiana business under
 25 this section, the department shall provide a copy of the certification
 26 to the investors in the qualified Indiana business for inclusion in
 27 tax filings.
- 28 (d) The department may impose an application fee of not more
 29 than two hundred dollars (\$200).
- 30 Sec. 8. (a) A certification provided under section 7 of this
 31 chapter must include notice to the investors of the maximum
 32 amount of tax credits available under this chapter for the provision
 33 of qualified investment capital to the qualified Indiana business.
- 34 (b) The maximum amount of tax credits available under this
 35 chapter for the provision of qualified investment capital to a
 36 particular qualified Indiana business equals the lesser of:
- 37 (1) the total amount of qualified investment capital provided
 38 to the qualified Indiana business in the calendar year,
 39 multiplied by twenty percent (20%); or
- 40 (2) two hundred fifty thousand dollars (\$250,000).
- 41 Sec. 9. (a) The total amount of tax credits that may be allowed
 42 under this chapter in a particular calendar year may not exceed

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1 five million dollars (\$5,000,000).

2 (b) Notwithstanding the other provisions of this chapter, a
3 taxpayer is not entitled to a credit for providing qualified
4 investment capital to a qualified Indiana business before January
5 1, 2004, or after December 31, 2007.

6 Sec. 10. Subject to sections 8 and 13 of this chapter, the amount
7 of the credit to which a taxpayer is entitled under section 6 of this
8 chapter equals the product of:

9 (1) twenty percent (20%); multiplied by

10 (2) the amount of the qualified investment capital provided to
11 a qualified Indiana business by the taxpayer in the taxable
12 year.

13 Sec. 11. If a pass through entity is entitled to a credit under
14 section 6 of this chapter but does not have state tax liability against
15 which the tax credit may be applied, a shareholder, partner, or
16 member of the pass through entity is entitled to a tax credit equal
17 to:

18 (1) the tax credit determined for the pass through entity for
19 the taxable year; multiplied by

20 (2) the percentage of the pass through entity's distributive
21 income to which the shareholder, partner, or member is
22 entitled.

23 Sec. 12. If the amount of the credit determined under section 10
24 of this chapter for a taxpayer in a taxable year exceeds the
25 taxpayer's state tax liability for that taxable year, the taxpayer
26 may carry the excess over to the following taxable years. The
27 amount of the credit carryover from a taxable year shall be
28 reduced to the extent that the carryover is used by the taxpayer to
29 obtain a credit under this chapter for any subsequent taxable year.
30 A taxpayer is not entitled to a carryback.

31 Sec. 13. (a) To receive the credit provided by this chapter, a
32 taxpayer must claim the credit on the taxpayer's state tax return
33 or returns in the manner prescribed by the department. The
34 taxpayer shall submit to the department proof that the taxpayer
35 provided qualified investment capital to a qualified Indiana
36 business and all information that the department determines is
37 necessary for the calculation of the credit provided by this chapter.

38 (b) The department shall record the time of filing of each return
39 claiming a credit under section 6 of this chapter and shall, except
40 as provided in subsection (c), grant the credit to the taxpayer, if the
41 taxpayer otherwise qualifies for a tax credit under this chapter, in
42 the chronological order in which the return is filed in the calendar



1 year.

2 (c) If the total credits approved under this section equal the
3 maximum amount allowable in a calendar year, a return claiming
4 the credit filed later in that calendar year may not be approved.

5 SECTION 5. [EFFECTIVE JULY 1, 2002] IC 6-3.1-24, as added
6 by this act, applies to taxable years beginning after December 31,
7 2003.

8 SECTION 6. [EFFECTIVE UPON PASSAGE] (a) The definitions
9 in IC 6-1.1-1 apply throughout this SECTION.

10 (b) Subject to subsection (c), the effective date of 50 IAC 2.3,
11 50 IAC 5.2 (to the extent that it applies to the assessment of real
12 property), or any other rule to the extent that it applies to the
13 assessment of real property and is adopted by the state board of
14 tax commissioners or the department of local government finance
15 after January 1, 2001, and March 1, 2003, are delayed and first
16 apply to assessment dates after January 1, 2003. This subsection
17 does not prohibit the department of local government finance from
18 issuing procedural rules or guidelines or prescribing forms that are
19 consistent with the requirements of subsection (c).

20 (c) 50 IAC 2.3 (including the 2002 Real Property Assessment
21 Manual and the Real Property Assessment Guidelines for
22 2002-Version A) and any other rule adopted by the state board of
23 tax commissioners or the department of local government finance
24 is void to the extent that it establishes a shelter allowance for real
25 property used as a residence.

26 SECTION 7. [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]
27 (a) As used in this SECTION:

28 (1) "dwelling" has the meaning set forth in IC 6-1.1-20.9-1;
29 and

30 (2) "general reassessment" refers to the general reassessment
31 of real property that is the basis under IC 6-1.1-4-4 for ad
32 valorem property taxes and special assessments first due and
33 payable in 2004.

34 (b) The effect of any increase or decrease resulting from the
35 general reassessment in the assessed value of a dwelling as
36 compared to the assessed value of the dwelling for ad valorem
37 property taxes and special assessments first due and payable in
38 2003 shall be phased in. The phase in shall be applied in equal
39 amounts with respect to ad valorem property taxes and special
40 assessments first due and payable in 2004, 2005, and 2006.

41 (c) The department of local government finance shall adopt
42 temporary rules in the manner provided for the adoption of

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1 emergency rules under IC 4-22-2-37.1 to implement this act. A
2 temporary rule adopted under this subsection expires on the
3 earliest of the following:

4 (1) The date that another temporary rule adopted under this
5 subsection supersedes the prior temporary rule.

6 (2) The date that permanent rules adopted under IC 4-22-2
7 supersede the temporary rule.

8 (3) January 1, 2007.

9 (d) This SECTION expires January 1, 2007.

10 SECTION 8. An emergency is declared for this act.

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COMMITTEE REPORT

Mr. President: The Senate Committee on Finance, to which was referred Senate Bill No. 502, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, line 9, after "increase" insert "**or decrease**".

Page 1, line 10, delete "over" and insert "**as compared to**".

Page 1, line 13, delete "increments" and insert "**amounts**".

and when so amended that said bill do pass.

(Reference is to SB 502 as introduced.)

BORST, Chairperson

Committee Vote: Yeas 9, Nays 5.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred Senate Bill 502, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Delete the title and insert the following:

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 6-1.1-4-4, AS AMENDED BY P.L.198-2001, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4. (a) A general reassessment, involving a physical inspection of all real property in Indiana, shall begin July 1, 2000, and each fourth year thereafter. Each reassessment shall be completed on or before March 1 of the immediately following even-numbered year and shall be the basis for taxes payable in the year following the year in which the general assessment is to be completed. **However, the general reassessment scheduled to begin under this subsection on July 1, 2000, shall be completed on or before March 1, 2003, and shall be the basis for taxes first due and payable in 2004.**

(b) In order to ensure that assessing officials and members of each county property tax assessment board of appeals are prepared for a general reassessment of real property, the ~~state board department of tax commissioners~~ **local government finance** shall give adequate advance notice of the general reassessment to the county and township taxing officials of each county.

SECTION 2. IC 6-1.1-4-32, AS ADDED BY P.L.151-2001, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 32. (a) As used in this section, "qualifying county" means a county having a population of more than four hundred thousand (400,000) but less than seven hundred thousand (700,000).

(b) Notwithstanding ~~IC 6-1.1-4-15 and IC 6-1.1-4-17~~, **sections 15 and 17 of this chapter**, a township assessor in a qualifying county may not appraise property, or have property appraised, for the general reassessment of real property to be completed for the March 1, ~~2002~~, **2003**, assessment date. Completion of that general reassessment in a qualifying county is instead governed by this section. The only duty of:

- (1) a township assessor in a qualifying county; or
- (2) a county assessor of a qualifying county;

with respect to that general reassessment is to provide to the ~~state board~~

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~~department of tax commissioners~~ **local government finance** or the ~~state board's department's~~ contractor under subsection (c) any support and information requested by the ~~state board department~~ or the contractor.

(c) The ~~state board of tax commissioners~~ **department of local government finance** shall select and contract with a nationally recognized certified public accounting firm with expertise in the appraisal of real property to appraise property for the general reassessment of real property in a qualifying county to be completed for the March 1, ~~2002~~, **2003**, assessment date. The contract applies for the appraisal of land and improvements with respect to all classes of real property in the qualifying county. The contract must include:

- (1) a provision requiring the appraisal firm to:
 - (A) prepare a detailed report of:
 - (i) expenditures made after July 1, 1999, and before the date of the report from the qualifying county's reassessment fund under ~~IC 6-1.1-4-28~~; **section 28.5 of this chapter**; and
 - (ii) the balance in the reassessment fund as of the date of the report; and
 - (B) file the report with:
 - (i) the legislative body of the qualifying county;
 - (ii) the prosecuting attorney of the qualifying county;
 - (iii) the ~~state board department of tax commissioners~~; **local government finance**; and
 - (iv) the attorney general;
- (2) a fixed date by which the appraisal firm must complete all responsibilities under the contract;
- (3) a provision requiring the appraisal firm to use the land values determined for the qualifying county under ~~IC 6-1.1-4-13.6~~; **section 13.6 of this chapter**;
- (4) a penalty clause under which the amount to be paid for appraisal services is decreased for failure to complete specified services within the specified time;
- (5) a provision requiring the appraisal firm to make periodic reports to the ~~state board department of tax commissioners~~; **local government finance**;
- (6) a provision stipulating the manner in which, and the time intervals at which, the periodic reports referred to in subdivision (5) are to be made;
- (7) a precise stipulation of what service or services are to be provided;
- (8) a provision requiring the appraisal firm to deliver a report of

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the assessed value of each parcel in a township in the qualifying county to the ~~state board department of tax commissioners~~; **local government finance**; and

(9) any other provisions required by the state board of tax commissioners.

(d) After receiving the report of assessed values from the appraisal firm, the ~~state board department of tax commissioners~~ **local government finance** shall give notice to the taxpayer and the county assessor, by mail, of the amount of the reassessment. The notice of reassessment is subject to appeal by the taxpayer to the ~~state Indiana board of tax commissioners~~. Except as provided in subsection (e), the procedures and time limitations that apply to an appeal to the ~~state Indiana board of tax commissioners~~ of a determination of the county property tax assessment board of appeals under IC 6-1.1-15 apply to an appeal under this subsection. A determination by the ~~state Indiana board of tax commissioners~~ of an appeal under this subsection is subject to appeal to the tax court under IC 6-1.1-15.

(e) In order to obtain a review by the ~~state Indiana board of tax commissioners~~ under subsection (d), the taxpayer must file a petition for review with the appropriate county assessor within forty-five (45) days after the notice of the ~~state board department of tax commissioners~~ **local government finance** is given to the taxpayer under subsection (d).

(f) The ~~state board department of tax commissioners~~ **local government finance** shall mail the notice required by subsection (d) within ninety (90) days after the board receives the report for a parcel from the professional appraisal firm.

(g) The cost of a contract under this section shall be paid from the property reassessment fund of the qualifying county established under ~~IC 6-1.1-4-27~~; **section 27.5 of this chapter**.

(h) Notwithstanding IC 4-13-2, a period of seven (7) days is permitted for each of the following to review and act under IC 4-13-2 on a contract of the ~~state board department of tax commissioners~~ **local government finance** under this section:

- (1) The commissioner of the department of administration.
- (2) The director of the budget agency.
- (3) The attorney general.
- (4) The governor.

A contract issued under this section by the state board of tax commissioners shall be treated as the contract of the department of local government finance for all purposes.

(i) With respect to a general reassessment of real property to be

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completed under ~~IC 6-1.1-4-4~~ **section 4 of this chapter** for an assessment date after the March 1, 2002, 2003, assessment date, the ~~state board department of tax commissioners~~ **local government finance** shall initiate a review with respect to the real property in a qualifying county or a township in a qualifying county, or a portion of the real property in a qualifying county or a township in a qualifying county. The ~~state board department of local government finance~~ may contract to have the review performed by an appraisal firm. The ~~state board department of local government finance~~ or its contractor shall determine for the real property under consideration and for the qualifying county or township the variance between:

- (1) the total assessed valuation of the real property within the qualifying county or township; and
- (2) the total assessed valuation that would result if the real property within the qualifying county or township were valued in the manner provided by law.

(j) If:

- (1) the variance determined under subsection (i) exceeds ten percent (10%); and
- (2) the ~~state board of tax commissioners~~ **department of local government finance** determines after holding hearings on the matter that a special reassessment should be conducted;

the ~~state board department of local government finance~~ shall contract for a special reassessment by an appraisal firm to correct the valuation of the property.

(k) If the variance determined under subsection (i) is ten percent (10%) or less, the ~~state board department of tax commissioners~~ **local government finance** shall determine whether to correct the valuation of the property under:

- (1) sections 9 and 10 of this chapter; or
- (2) IC 6-1.1-14-10 and IC 6-1.1-14-11.

(l) The ~~state board department of tax commissioners~~ **local government finance** shall give notice by mail to a taxpayer of a hearing concerning the ~~state board's~~ **intent of the department of local government finance** to cause the taxpayer's property to be reassessed under this section. The time fixed for the hearing must be at least ten (10) days after the day the notice is mailed. The ~~state board department of local government finance~~ may conduct a single hearing under this section with respect to multiple properties. The notice must state:

- (1) the time of the hearing;
- (2) the location of the hearing; and



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(3) that the purpose of the hearing is to hear taxpayers' comments and objections with respect to the ~~state board's~~ **intent of the department of local government finance** to reassess property under this chapter.

(m) If the ~~state board~~ **department of tax commissioners local government finance** determines after the hearing that property should be reassessed under this section, the ~~state board~~ **department of local government finance** shall:

- (1) cause the property to be reassessed under this section;
- (2) mail a certified notice of its final determination to the county auditor of the qualifying county in which the property is located; and
- (3) notify the taxpayer by mail of its final determination.

(n) A reassessment may be made under this section only if the notice of the final determination under subsection (l) is given to the taxpayer within the same period prescribed in IC 6-1.1-9-3 or IC 6-1.1-9-4.

(o) If the ~~state board~~ **department of tax commissioners local government finance** contracts for a special reassessment of property under this section, the ~~state board~~ **department of local government finance** shall forward the bill for services of the contractor to the county auditor, and the county shall pay the bill from the county reassessment fund.

(p) A township assessor in a qualifying county or a county assessor of a qualifying county shall provide information requested in writing by the ~~state board~~ **department of tax commissioners local government finance** or the ~~state board's~~ **its** contractor under this section not later than seven (7) days after receipt of the written request from the state board or the contractor. If a township assessor or county assessor fails to provide the requested information within the time permitted in this subsection, the ~~state board~~ **department of tax commissioners local government finance** or the ~~state board's~~ **its** contractor may seek an order of the tax court under IC 33-3-5-2.5 for production of the information.

(q) The provisions of this section are severable in the manner provided in IC 1-1-1-8(b).

SECTION 3. IC 6-1.1-4-33 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 33. (a) This section applies only to property taxes first due and payable in 2003.**

(b) Notwithstanding the rulemaking authority granted to the department of local government finance under IC 6-1.1, the repeal

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of various provisions in 50 IAC 2.2 by LSA Document #00-108, and the repeal of various provisions in 50 IAC 5.1 by LSA Document #01-347, the determination of the assessed value of tangible real property on an assessment date in calendar year 2002 shall be made in accordance with the:

- (1) statutes; and
- (2) rules of the state board of tax commissioners (before its termination);

in effect on July 1, 2001, and any statute enacted by the general assembly in 2002 that applies to an assessment date in 2002.

(c) This section expires January 1, 2004.

SECTION 4. IC 6-3.1-24 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:

Chapter 24. Venture Capital Investment Tax Credit

Sec. 1. As used in this chapter, "pass through entity" means:

- (1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);
- (2) a partnership;
- (3) a limited liability company; or
- (4) a limited liability partnership.

Sec. 2. As used in this chapter, "qualified Indiana business" means an independently owned and operated business that is certified as a qualified Indiana business by the department of commerce under section 7 of this chapter.

Sec. 3. As used in this chapter, "qualified investment capital" means debt or equity capital that is provided to a qualified Indiana business.

Sec. 4. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

- (1) IC 6-2.1 (the gross income tax);
- (2) IC 6-2.5 (state gross retail and use tax);
- (3) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- (4) IC 6-3-8 (the supplemental corporate net income tax);
- (5) IC 6-5-10 (the bank tax);
- (6) IC 6-5-11 (the savings and loan association tax);
- (7) IC 6-5.5 (the financial institutions tax); and
- (8) IC 27-1-18-2 (the insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 5. As used in this chapter, "taxpayer" means an individual

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or entity that has any state tax liability.

Sec. 6. A taxpayer that provides qualified investment capital to a qualified Indiana business is entitled to a credit against the person's state tax liability in a taxable year equal to the amount specified in section 10 of this chapter.

Sec. 7. (a) The department of commerce shall certify that a business is a qualified Indiana business if the department determines that the business:

- (1)** is a high growth company that:
 - (A)** is entering a new product or process area;
 - (B)** has a substantial number of employees in jobs:
 - (i)** requiring postsecondary education or its equivalent; or
 - (ii)** that are in occupational codes classified as high skill by the Bureau of Labor Statistics, United States Department of Labor; and
 - (C)** has a substantial number of employees that earn at least one hundred fifty percent (150%) of Indiana per capita personal income;
- (2)** has its headquarters in Indiana;
- (3)** is primarily focused on research and development, technology transfers, or the application of new technology or is determined by the department of commerce to have significant potential to:
 - (A)** bring substantial capital into Indiana;
 - (B)** create jobs;
 - (C)** diversify the business base of Indiana; or
 - (D)** significantly promote the purposes of this chapter in any other way;
- (4)** has had average annual revenues of less than ten million dollars (\$10,000,000) in the two (2) years preceding the year in which the business received qualified investment capital from a taxpayer claiming a credit under this chapter;
- (5)** has:
 - (A)** at least fifty percent (50%) of its employees residing in Indiana; and
 - (B)** at least seventy-five percent (75%) of its assets located in Indiana; and
- (6)** is not engaged in a business involving:
 - (A)** real estate;
 - (B)** real estate development;
 - (C)** insurance;

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(D) professional services provided by an accountant, a lawyer, or a physician;

(E) retail sales, except when the primary purpose of the business is the development or support of electronic commerce using the Internet; or

(F) oil and gas exploration.

(b) A business shall apply to be certified as a qualified Indiana business on a form prescribed by the department.

(c) If a business is certified as a qualified Indiana business under this section, the department shall provide a copy of the certification to the investors in the qualified Indiana business for inclusion in tax filings.

(d) The department may impose an application fee of not more than two hundred dollars (\$200).

Sec. 8. (a) A certification provided under section 7 of this chapter must include notice to the investors of the maximum amount of tax credits available under this chapter for the provision of qualified investment capital to the qualified Indiana business.

(b) The maximum amount of tax credits available under this chapter for the provision of qualified investment capital to a particular qualified Indiana business equals the lesser of:

(1) the total amount of qualified investment capital provided to the qualified Indiana business in the calendar year, multiplied by twenty percent (20%); or

(2) two hundred fifty thousand dollars (\$250,000).

Sec. 9. (a) The total amount of tax credits that may be allowed under this chapter in a particular calendar year may not exceed five million dollars (\$5,000,000).

(b) Notwithstanding the other provisions of this chapter, a taxpayer is not entitled to a credit for providing qualified investment capital to a qualified Indiana business before January 1, 2004, or after December 31, 2007.

Sec. 10. Subject to sections 8 and 13 of this chapter, the amount of the credit to which a taxpayer is entitled under section 6 of this chapter equals the product of:

(1) twenty percent (20%); multiplied by

(2) the amount of the qualified investment capital provided to a qualified Indiana business by the taxpayer in the taxable year.

Sec. 11. If a pass through entity is entitled to a credit under section 6 of this chapter but does not have state tax liability against which the tax credit may be applied, a shareholder, partner, or

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member of the pass through entity is entitled to a tax credit equal to:

- (1) the tax credit determined for the pass through entity for the taxable year; multiplied by
- (2) the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

Sec. 12. If the amount of the credit determined under section 10 of this chapter for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over to the following taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year. A taxpayer is not entitled to a carryback.

Sec. 13. (a) To receive the credit provided by this chapter, a taxpayer must claim the credit on the taxpayer's state tax return or returns in the manner prescribed by the department. The taxpayer shall submit to the department proof that the taxpayer provided qualified investment capital to a qualified Indiana business and all information that the department determines is necessary for the calculation of the credit provided by this chapter.

(b) The department shall record the time of filing of each return claiming a credit under section 6 of this chapter and shall, except as provided in subsection (c), grant the credit to the taxpayer, if the taxpayer otherwise qualifies for a tax credit under this chapter, in the chronological order in which the return is filed in the calendar year.

(c) If the total credits approved under this section equal the maximum amount allowable in a calendar year, a return claiming the credit filed later in that calendar year may not be approved.

SECTION 5. [EFFECTIVE JULY 1, 2002] IC 6-3.1-24, as added by this act, applies to taxable years beginning after December 31, 2003.

SECTION 6. [EFFECTIVE UPON PASSAGE] **(a)** The definitions in IC 6-1.1-1 apply throughout this SECTION.

(b) Subject to subsection (c), the effective date of 50 IAC 2.3, 50 IAC 5.2 (to the extent that it applies to the assessment of real property), or any other rule to the extent that it applies to the assessment of real property and is adopted by the state board of tax commissioners or the department of local government finance after January 1, 2001, and March 1, 2003, are delayed and first

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apply to assessment dates after January 1, 2003. This subsection does not prohibit the department of local government finance from issuing procedural rules or guidelines or prescribing forms that are consistent with the requirements of subsection (c).

(c) 50 IAC 2.3 (including the 2002 Real Property Assessment Manual and the Real Property Assessment Guidelines for 2002—Version A) and any other rule adopted by the state board of tax commissioners or the department of local government finance is void to the extent that it establishes a shelter allowance for real property used as a residence."

Page 1, line 8, delete "2003" and insert "**2004**".

Page 1, line 13, delete "2002" and insert "**2003**".

Page 1, line 15, delete "2003,".

Re-number all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 502 as printed January 25, 2002.)

BAUER, Chair

Committee Vote: yeas 21, nays 2.

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